

# Senate File 2247 - Introduced

SENATE FILE 2247

BY NUNN

## A BILL FOR

1 An Act relating to the trading and holding of certain  
2 securities by members of the general assembly and their  
3 spouses and including applicability provisions.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1     Section 1.   NEW SECTION.   **68B.41 Definitions.**

2     For purposes of this subchapter, unless the context requires  
3 otherwise:

4     1.   *"Blind trust"* means a trust established by or for the  
5 benefit of a member of the general assembly or the member's  
6 spouse for divestiture of all control and knowledge of assets.  
7 A trust qualifies as a blind trust if the member of the  
8 general assembly and the member's spouse has no knowledge of  
9 the holdings and sources of income of the trust, the trustee  
10 is independent of and is not associated with, employed by,  
11 or related to the member of the general assembly or the  
12 member's spouse, and the trustee has sole discretion as to the  
13 management of the trust assets.

14    2.   *a. "Covered financial instrument"* means any of the  
15 following:

16       (1) An investment in a security or security future as each  
17 is defined in section 3(a) of the federal Securities Exchange  
18 Act of 1934.

19       (2) A commodity as defined in section 1a of the federal  
20 Commodity Exchange Act.

21       (3) Any economic interest comparable to an instrument  
22 described in subparagraph (1) or (2) acquired through synthetic  
23 means, such as the use of a derivate, including an option,  
24 warrant, or other similar means.

25    *b. "Covered financial instrument"* does not mean any of the  
26 following:

27       (1) A diversified mutual fund.

28       (2) A diversified exchange-traded fund.

29       (3) A United States treasury bill, note, or bond.

30    3.   *"Ethics committee"* means the senate ethics committee or  
31 house ethics committee, as applicable.

32    4.   *"Newly elected member"* means a member of the general  
33 assembly who was not a member of the immediately preceding  
34 general assembly.

35    Sec. 2.   NEW SECTION.   **68B.42 Holding or trading covered**

1 **financial instruments — prohibition.**

2 1. Except as provided in subsection 2, a member of the  
3 general assembly or the member's spouse shall not, during a  
4 regular or extraordinary session of the general assembly, hold,  
5 purchase, or sell a covered financial instrument.

6 2. Subsection 1 shall not apply to any of the following:

7 a. A newly elected member of the general assembly or the  
8 member's spouse until seven days after the member has taken the  
9 oath of office.

10 b. A covered financial instrument held in a blind trust or  
11 purchased or sold by the trustee of the blind trust.

12 **Sec. 3. NEW SECTION. 68B.43 Penalties.**

13 1. A member of the general assembly or the member's spouse  
14 shall disgorge to the department of revenue any profit from a  
15 transaction or holding involving a covered financial instrument  
16 that violates this subchapter for deposit in the general fund.

17 2. A loss from a transaction or holding involving a covered  
18 financial instrument that violates this subchapter shall not  
19 be deducted from the amount of income tax the member of the  
20 general assembly or the member's spouse owes to this state.

21 3. If a member of the general assembly or the member's  
22 spouse holds or conducts a transaction that violates this  
23 subchapter, the ethics committee may hold a hearing and the  
24 member may be subject to additional punishment under the  
25 applicable code of ethics.

26 **Sec. 4. NEW SECTION. 68B.44 Certification of compliance —**  
27 **audits.**

28 1. Annually, not later than seven days after the convening  
29 of the regular session, each member of the general assembly  
30 shall file with the chief clerk of the house or the secretary  
31 of the senate, as applicable, a written certification that the  
32 member and the member's spouse are in compliance with this  
33 subchapter. The filed certifications shall be published on the  
34 general assembly's internet site in a searchable database.

35 2. The board shall audit each member of the general assembly

1 for compliance with this subchapter every two years. The board  
2 shall submit to the ethics committee the results of the audits.  
3 The board may adopt rules to administer this subsection.

4 Sec. 5. Section 422.7, Code 2022, is amended by adding the  
5 following new subsection:

6 NEW SUBSECTION. 51. Add, to the extent excluded, the  
7 ordinary or capital loss realized by the taxpayer in a  
8 transaction that violates section 68B.43, subsection 2.

9 Sec. 6. CODE EDITOR DIRECTIVE. The Code editor shall  
10 designate sections 68B.41 through 68B.44, as enacted in this  
11 Act, as a new subchapter in chapter 68B.

12 Sec. 7. APPLICABILITY. This Act applies beginning with the  
13 first regular session of the Ninetieth General Assembly.

14 EXPLANATION

15 The inclusion of this explanation does not constitute agreement with  
16 the explanation's substance by the members of the general assembly.

17 This bill relates to the trading and holding of certain  
18 securities by members of the general assembly and their  
19 spouses.

20 The bill prohibits a member of the general assembly or the  
21 member's spouse from trading or holding certain securities  
22 while the general assembly is in session. The bill does  
23 not prohibit the trading or holding of diversified mutual  
24 funds, diversified exchange-traded funds, or United States  
25 treasury bills, notes, or bonds. In addition, the bill does  
26 not prohibit the trading or holding of securities that the  
27 member or member's spouse has placed into a blind trust. Under  
28 the bill, a blind trust is a trust established by or for the  
29 benefit of the member or the member's spouse for divestiture  
30 of all control and knowledge of assets. To qualify, the  
31 member and the member's spouse cannot have any knowledge of  
32 the holdings and sources of income of the trust, the trustee  
33 must be independent of and not associated with, employed by, or  
34 related to the member or the member's spouse, and the trustee  
35 must have sole discretion as to the management of the trust

1 assets.

2 If a member or a member's spouse violates the provisions  
3 of the bill, any gain from a transaction is disgorged to the  
4 department of revenue for transfer to the general fund. If  
5 the transaction results in a loss, the member and the member's  
6 spouse cannot deduct the loss from their state income taxes.  
7 The senate or house ethics committee, as applicable, may impose  
8 additional punishment under the applicable code of ethics for  
9 violations of the bill.

10 The bill requires members of the general assembly to  
11 annually file with the chief clerk of the house or the  
12 secretary of the senate, as applicable, a written certification  
13 that the member and the member's spouse are in compliance with  
14 the bill. The filed certifications must be published on the  
15 general assembly's internet site in a searchable database.

16 The bill requires the Iowa ethics and campaign disclosure  
17 board to audit each member of the general assembly for  
18 compliance with the bill every two years and to submit to  
19 the ethics committee the results of the audits. The bill  
20 authorizes the board to adopt rules to administer this  
21 requirement.

22 The bill applies beginning with the first regular session of  
23 the 90th General Assembly.